

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-08 FRB-01 INR-07

NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

LAB-04 SIL-01 OMB-01 AGRE-00 /067 W

-----094326 190558Z /10

R 190450Z AUG 77

FM AMCONSUL SURABAYA

TO SECSTATE WASHDC 1081

USDOC WASHDC

INFO AMEMBASSY JAKARTA

AMEMBASSY MANILA

LTVDJQS/AMEMBASSY SINGAPORE 0268

AMEMBASSY BANGKOK

AMCONSUL HONG KONG

AMCONSUL MEDAN

UNCLAS SURABAYA 0411

E.O. 11652: N/A

TAGS: BEXP, ID

SUBJECT: NEW SUGAR MILL REHABILITATION PHASE

DEPT PASS DOC/MEPD AND EXIM BANK

SINGAPORE PASS RTC

1. CONSULATE HAS LEARNED FROM JOINT SUGAR PROJECTS UNIT (GOVERNMENT DEVELOPMENT OFFICE FOR SUGAR INDUSTRY) IN SURABAYA THAT GOI AND IBRD WILL SOON CONDUCT FINAL NEGOTIATIONS IN WASHINGTON FOR US\$85 MILLION LOAN IN CONTINUING PROGRAM FOR REHABILITATING EXISTING SUGAR MILLS. UNDER TERMS OF WORLD BANK LOAN 5 SUGAR MILLS -- THREE IN CENTRAL JAVA AND ONE IN EAST JAVA AND ONE IN WEST JAVA -- WILL BE REHABILITATED AND EXPANDED TO DOUBLE THEIR PRESENT CAPACITY. FINAL NEGOTIATIONS WILL DETERMINE RATE (PROBABLY 7 PERCENT) AND TERM (PROBABLY 20 YEARS). FEASIBILITY STUDY WAS COMPLETED APRIL '77. OF THE UNCLASSIFIED

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\$85 MILLION, \$80 MILLION WILL BE FOR EQUIPMENT --

(A) SUGAR MACHINERY (B) ELECTRICAL POWER GENERATORS, PRIMARILY TURBINE ALTERNATORS, (C) STEAM BOILERS, AND (D) TRANSPORTATIONS EQUIPMENT SUCH AS SMALL LOCOMOTIVES, RAILS, AND SMALL AGRICULTURAL TRACTORS -- AND \$5 MILLION FOR RESEARCH, CONSULTATIVE CONTRACTS, AND TRAINING. THERE IS GOOD POSSIBILITY THAT LOAN AGREEMENTS WILL BE

SIGNED BY FINANCE MINISTER WARDHANA IN WASHINGTON NEAR
THE END OF THIS YEAR, AND TENDERS WILL BE ANNOUNCED
EARLY 1978.

2. AT THE SAME TIME, NEGOTIATIONS ARE PROGRESSING ON
ADB LOAN FOR ADDITIONAL \$12 MILLION TO REHABILITATE TWO
OTHER SUGAR MILLS -- ONE IN EAST JAVA AND ONE IN CENTRAL
JAVA. FEASIBILITY STUDY FOR ONE OF THESE IS COMPLETE
AND THE OTHER IS IN PROGRESS. PROBABLY DATE OF COMPLETION OF
ADB LOAN IS NOT YET KNOWN.

3. JOINT SUGAR PROJECT TECHNICAL MANAGER STRESSED IT
IS IMPORTANT THAT ANY US FIRMS THAT ARE INTERESTED SHOULD
HAVE AGENT IN SURABAYA OR, AT VERY LEAST, IN JAKARTA,
FIRST, IN ORDER TO KEEP UP WITH THE ISSUANCE OF TENDERS
AND SECOND, IF CONTRACTS ARE ACQUIRED,, TO SUPPLY SPARE
PARTS AND TO PROVIDE SERVICE. TIMING IS MOST IMPORTANT
IN BIDDING ON TENDERS. ALL BIDS MUST BE SUBMITTED
FROM 1 1/2 MONTHS TO 3 MONTHS (DEPENDING ON VARIETY OF
EQUIPMENT) OF PUBLICATION OF TENDER DOCUMENTS.
UNSPECIFIC STATEMENTS OF INTENT USUALLY MAKE US BIDS
LATE AND THEREFORE INELIGIBLE. WE WERE TOLD THAT JOINT
SUGAR PROJECTS CANNOT RESPOND TO LETTERS FROM
COMPANIES WHICH DO NOT SUBMIT BIDS BUT SIMPLY ANNOUNCE
AVAILAIBILITY IF SUGAR INDUSTRY IS INTERESTED.
FURTHER POINT MADE BY TECHNICAL MANAGER WAS THAT BIDDING
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BY EUROPEANS AND JAPANESE IS SURE TO BE VERY COMPETITIVE,

GIVEN THE FACT THAT FINANCING WILL BE SETTLED IN ADVANCE.
AMERICAN FIRMS SHOULD BE AWARE THAT TERMS OF IBRD AND
ADB LOANS REQUIRE GRANTING OF CONTRACTS TO LOWERS
BIDDERS THAT MEET TECHNICAL SPECIFICATIONS.

4. CONSULATE WILL CONTACT TECHNICAL MANAGER AGAIN AFTER
HE RETURNS FROM WASHINGTON TO DETERMINE WHEN FINAL
AGREEMENT WILL BE SGINED AND WHEN TENDER DOCUMENTS WILL
BE RELEASED, WE UNDERSTAND JAPANESE INDUSTRY
TECHNICIANS HAVE ALREADY LEARNED OF THESE LOANS FROM
ASSOCIATES IN THE FIELD AND HAVE BEGUN TO MAKE SURVEYS
IN ANTICIPATION OF BIDDING ON CONTRACTS.
SHERRY

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TAGS: BEXP, ID
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